DOCUMENT RESUME

ED 420 908 EA 029 110

TITLE	Charter Schools: Recent Experiences in Accessing Federal Funds. Statement of Cornelia M. Blanchette, Associate Director, Education and Employment Issues. Testimony before the Committee on Labor and Human Resources, U.S. Senate.
INSTITUTION	General Accounting Office, Washington, DC. Health, Education, and Human Services Div.
REPORT NO	GAO/T-HEHS-98-129
PUB DATE	1998-03-00
NOTE	19p.
AVAILABLE FROM	U.S. General Accounting Office, P.O. Box 37050, Washington, DC 20013 (first copy free; $2 each additional copy).
PUB TYPE	Legal/Legislative/Regulatory Materials (090) -- Reports - Research (143)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	*Charter Schools; *Educational Finance; Elementary Secondary Education; *Federal Aid; Financial Support; Grants; *School Funds

ABSTRACT

This report presents a study of charter schools' use of startup grants and grants under Title I of the Elementary and Secondary Education Act and the Individuals with Disabilities Education Act (IDEA). For this research, case studies were conducted in 7 states that accounted for 91 percent of charter schools operating in the 1996-97 school year. The results indicate that these schools used federal startup funds for a variety of purposes, including school equipment and curriculum materials, technology, and facilities renovation or leasing. The findings suggest that charter schools have not been systematically denied access to Title I and IDEA funds and that the barriers charter schools face in accessing these funds appear to have no relation to charter schools' treatment as school districts or as members of school districts. Rather, it is barriers such as state systems that base funding allocations on the prior year's enrollment that have affected charter schools' access to these funds. However, most charter-school operators still believed that Title I and IDEA funds are fairly allocated to charter schools. (RJM)

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United States General Accounting Office

GAO

Testimony

Before the Committee on Labor and Human Resources, U.S. Senate

For Release on Delivery
Expected at 10:00 a.m.
Tuesday, March 31, 1998

CHARTER SCHOOLS

Recent Experiences in Accessing Federal Funds

Statement of Cornelia M. Blanchette, Associate Director
Education and Employment Issues
Health, Education, and Human Services Division

ED 420 908

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Charter Schools: Recent Experiences in Accessing Federal Funds

Mr. Chairman and Members of the Committee:

We are pleased to be here today to discuss charter schools' experiences with accessing selected federal education funds designed to help charter schools get started and to serve special populations.

The number of charter schools is growing rapidly, offering a new model for public schools. This model is intended to address concerns about our educational system, including unresponsive school district bureaucracies, restrictive rules, and a lack of accountability for student performance. In addition, charter schools provide opportunities for parents and others to create schools that reflect their visions for their children's education, including design, governance, and delivery features. Charter schools are generally designed to operate with more autonomy from state and local rules and regulations than are other public schools. In exchange for this autonomy, charter schools are held accountable for meeting the terms of their charters, which may include achieving stipulated academic outcomes. Schools that do not meet the terms of their charters face revocation of their charters.

Today, I will discuss charter schools' experiences in accessing selected federal funds—namely, start-up grants and grants under title I of the Elementary and Secondary Education Act (ESEA) and the Individuals With Disabilities Education Act (IDEA), factors that help and hinder charter schools in accessing title I and IDEA funds, and charter school operators' opinions about whether they are receiving a fair share of these funds. Finally, I will discuss state and federal efforts intended to help charter schools gain access to title I and IDEA funds. My discussion is based on the results of a study that we are conducting at your request. We are now preparing our final report, which we expect to issue in April.

For this study, we have conducted case studies in seven states[1] that collectively accounted for 91 percent of charter schools operating in the 1996-97 school year and surveyed by telephone a sample of 41 charter schools in these states. We also spoke with state department of education officials in each state and visited several charter schools located in four of the seven states. Because of our sampling methodology, our results can be applied to the charter schools operating in our sample states. (App. I provides additional information about our sample.)

[1]The states are Arizona, California, Colorado, Massachusetts, Michigan, Minnesota, and Texas.

In summary, slightly more than half of the schools we surveyed received fiscal year 1996 start-up grants ranging from $7,000 to $84,000; the average grant amount was $36,000. The schools used the start-up grant funds for a variety of purposes, including curriculum materials and equipment, other technology, and facilities renovation or leasing. About two-fifths of the charter schools we surveyed received title I funds, and slightly more than half of the schools received IDEA funds or IDEA-funded special education services. Most charter school operators we surveyed who expressed an opinion told us they believe they received a fair share of federal title I and IDEA funds. Nonetheless, charter school operators also cited a variety of barriers to accessing title I and IDEA funds, including (1) difficulties in establishing program eligibility, (2) workload demands, and (3) a lack of program and administrative experience. They reported that outreach and technical assistance were critical to helping them access federal funds.

Several states and the Department of Education have begun initiatives to help charter schools' access federal funds. Some states, for example, are revising or developing alternative allocation policies and procedures to better accommodate charter schools' access to federal funds and providing training and technical assistance to charter school operators. The Department has recently issued guidance to states and school districts on allocating title I funds to charter schools, and, among other things, has sponsored national meetings for state officials and charter school operators.

Background

Charter schools are public schools that operate under charters (or contracts) specifying the terms by which they may operate. In general, they are established under state law, do not charge tuition, and are nonsectarian. State charter school laws and policies vary widely regarding the degree of autonomy provided to the schools, the number of charter schools that may be established, the qualifications of charter school applicants and teachers, and the accountability criteria that charter schools must meet. As of September 1997, 29 states and the District of Columbia had enacted laws authorizing charter schools, according to the Center for Education Reform. In school year 1996-97, over 100,000 students were enrolled in nearly 500 charter schools in 16 states and the District of Columbia. (App. II shows the states with charter school laws as of September 1997 and the number of charter schools operating during the school year by state.)

To explore the effects of various education reform efforts, in January 1997, the Congress began holding hearings in Washington, D.C., and around the country. Among other reform efforts, the Congress has focused on the development of charter schools. Charter school operators and others at the hearings raised concerns about charter schools' receiving the share of federal title I and IDEA grant funds they are eligible to receive. These concerns were raised in part because of differences in the way charter schools receive funds. Some charter schools receive funds directly from their states, while other charter schools depend on their local school districts for title I and IDEA program benefits. In addition to learning more about this issue, the Congress has expressed interest in learning how charter schools use federal funds intended to help them get started as new schools.

Public Charter Schools Grant Program

To improve understanding of the charter school model, the Congress authorized the Public Charter Schools Program (start-up grants) as part of its 1994 reauthorization of ESEA. Under the program, the federal government provides financial assistance for the design and initial implementation of charter schools. The Department of Education has the authority to competitively award grants to states with laws authorizing the operation of charter schools. In evaluating state grant applications, the Department must use a peer review process and judge states' applications on the basis of several criteria, including the (1) contribution that a state's program will make toward helping educationally disadvantaged and other students in achieving state content and student performance standards, (2) degree of flexibility that a state will offer charter schools, and (3) likelihood that a state's program will improve students' educational results.

States that receive grants, in turn, award subgrants to charter schools. (If a state does not apply for a grant, individual or groups of charter schools may apply directly for grants to the Department.) States may use up to 5 percent of their grant award for administration and may set aside 20 percent for establishing a charter school revolving loan fund. Grants awarded to charter schools must be used for either (1) the planning and design of a charter school, which may include establishing achievement and assessment standards and providing professional development for teachers and other staff, or (2) the initial implementation of a charter school, which may include informing the community about the school, acquiring equipment and supplies, developing curricula, or initial operational costs.

Title I and IDEA Programs

Although dozens of financial aid programs exist for public elementary and secondary schools, two programs, title I and IDEA, are by far the largest federal programs. Under title I and IDEA, the Department allocates funds to state educational agencies (SEA), which then allocate funds to local educational agencies (LEA) or school districts. Charter schools receive title I and IDEA funds from their SEAs therefore in states that treat charter schools as LEAs (called the independent model). LEAs allocate title I funds to schools in their districts. In addition, LEAs provide special education and related services to eligible children enrolled in their schools and use IDEA funds to help pay the costs of doing so. Charter schools in states that treat these schools as dependents of an LEA (called the dependent model) benefit from the title I and IDEA programs on the same basis as do the LEAs' other schools. The seven states in our review used both the independent and dependent funding models. Although Massachusetts and Minnesota consider all charter schools as independent LEAs, California and Colorado consider all charter schools as dependent members of a school district. Arizona, Michigan, and Texas use both models within their states depending on the particular program involved, the chartering authority, or other circumstances.

Title I Program

Title I is the largest federal elementary and secondary education aid program. The program provides grants to school districts or LEAs to help them educate disadvantaged children—those with low academic achievement attending schools serving high-poverty areas. To be eligible for title I funds, LEAs must meet statutory and regulatory guidelines for minimum poverty thresholds.

LEAs that have more than one school—including charter schools operating under the dependent model—allocate title I funds among their schools. The federal statute and regulations lay out complex criteria and conditions that LEAs use in deciding how to allocate funds to their schools, which results in shifting title I funds received by LEAs to individual schools with relatively higher percentages of students from low-income families. An individual school that is part of an LEA in a high-poverty area therefore might have to have enrolled a higher percentage of low-income children to receive title I funds than it would have if the school were treated as an independent LEA. In this case, a charter school that would have received title I funds as an independent LEA may not receive title I funds under the dependent model because other schools in the LEA served higher percentages of low-income children.

IDEA Program

The IDEA federal grant program is designed to help states pay for the costs of providing a free appropriate public education to all eligible children with disabilities between the ages of 3 and 21 living in the state, depending on state law or practice. The act requires, among other things, that states make such education available to all eligible children with disabilities in the least restrictive environment.

Under the current formula, the Department of Education annually allocates funds to SEAs on the basis of their reported numbers of eligible children receiving special education and related services for the preceding fiscal year,[2] the national average per pupil expenditure, and the amount the Congress appropriates for the program. The most funding that a state may receive for any fiscal year is capped at 40 percent of the national average per pupil expenditure multiplied by the number of eligible children with disabilities in the state who receive special education and related services.[3]

Under the current formula, states must distribute at least 75 percent of the IDEA funds they receive from the Department to LEAs and may reserve the rest for state-level activities.[4] In general, SEAs allocate IDEA funds to eligible LEAs on the basis of their relative share of their state's total number of eligible children receiving special education and related services.

The benefits that individual schools may receive from IDEA funds vary by state. States may allocate IDEA funds to LEAs or to other agencies included in the act's definition of LEAs. These other agencies include, for example, regional educational service agencies authorized by state law to develop, manage, and provide services or programs to LEAs. Some states allocate IDEA funds to regional educational service agencies for providing special education and related services to children with disabilities enrolled in the schools of one or more LEAs, including charter schools. Other states allocate IDEA funds directly to school districts, which then develop, manage, and provide their own such services to children with disabilities.

[2]This number may not exceed 12 percent of all school-aged children in the state during the same time period.

[3]This cap has not affected the allocation of funds because the amount appropriated has not exceeded the cap.

[4]The 1997 IDEA amendments capped the amount SEAs may retain for state-level activities. In the future, SEAs may retain an amount that is 25 percent of the amount of IDEA part B funds that the SEA received in fiscal year 1997, cumulatively adjusted by the lesser of (1) the percentage increase, if any, in the state's allocation of IDEA part B funds from the preceding fiscal year or (2) the inflation rate.

Charter Schools' Experience With Federal Funds

A majority of the charter school operators that we surveyed reported that they received fiscal year 1996 federal start-up grant funds. Operators used these funds for a variety of purposes to establish their charter schools. Although no centralized repository of data exists for determining the extent to which charter schools have received federal funds nationwide, our study suggests that charter schools in the seven states we surveyed have not been systematically denied access to title I and IDEA funds.

Public Charter Schools Program

To date, the Congress has appropriated $155 million for start-up grants under this program. In fiscal year 1996, the Department of Education awarded grants to 19 states and the District of Columbia, ranging from about $191,000 to about $1.9 million, according to Education.[5] In turn, each state made grant funds available to charter schools in their states. The seven states in our survey all received fiscal year 1996 program funds; the amounts they received ranged from $500,000 to almost $1.9 million. (See table 1.)

Table 1: Department of Education Fiscal Year 1996 Charter School Start-Up Grant Awards to Seven States

State	Award
Arizona	$1,150,000
California	1,250,000
Colorado	1,000,000
Massachusetts	1,586,780
Michigan	1,872,828
Minnesota	749,730
Texas	500,000

Source: Department of Education

Of the 41 charter schools responding to our survey, slightly more than half (or 23) received fiscal year 1996 start-up grants. States awarded grants to these schools ranging from $7,000 to $84,000; the average grant amount was about $36,000 and the median was $32,500. Funds received by individual charter schools varied by state. These differences reflect states' flexibility in administering their grant programs and in allocating funds.

States may determine the amount of funds to award to any one charter school. Consequently, the amount of funds awarded does not depend on school enrollment or the particular need for which charter schools sought

[5]Education also awarded grants to three schools in New Mexico; that state did not apply for funds under the program.

funding. In Texas, for example, all charter schools received an equal amount of fiscal year 1996 grant funds ($26,785), even though enrollment at these schools varied greatly—from 90 students in one school to 180 students in another.

The charter schools in our survey that received start-up grants used these funds most often to help pay for school equipment and curriculum materials, technology, and facilities renovation or leasing. Several charter schools used these funds for multiple purposes. (See table 2.)

Table 2: Use of Seven States' 23 Charter Schools' Start-Up Grant Funds, Fiscal Year 1996

Purpose (not mutually exclusive)	Number of schools
School equipment and curriculum materials	11
Technology	11
Facilities leasing/renovation	10
School evaluation and student testing	6
Training	5

Operators of charter schools we surveyed that did not receive grant funds told us that their schools were either (1) ineligible for grants under their state guidelines, (2) unsuccessful in competing for a grant, or (3) did not apply for a grant. Schools ineligible for funds included schools that were no longer considered start-up operations or had previously received funds and did not qualify under state guidelines. Some charter school operators told us that although they applied for start-up grants, their applications were scored lower than other schools' and, as a result, did not receive awards. Finally, a few charter school operators said that they did not apply for start-up grants because they were uninterested, did not need funds, or did not know that funds were available.

Title I and IDEA Programs

Charter schools, as public schools, have access to federal program funds on the same basis as traditional public schools. Under these programs, such as title I of ESEA and IDEA, the federal government provides several billion dollars annually. Nationwide, the Department makes an annual average amount of about $800 available to LEAs for each child counted in the title I allocation formula. In total, the federal government will provide more than $7 billion in title I assistance during fiscal year 1998 to help schools provide additional services to educationally disadvantaged children. Under IDEA, the federal government will provide about $4.2 billion in fiscal year 1998 to help schools pay for providing a free appropriate public education to children with disabilities. According to

Education, these funds are expected to provide, on average, about $639 per student for services provided to the nearly 6 million eligible students aged 3 through 21, plus an additional $650 per student to provide services for approximately 575,800 eligible preschool children aged 3 through 5. Despite concerns about issues related to the funding of charter schools raised during the 1997 congressional hearings, most charter school operators we surveyed who had applied for title I and IDEA funds received them.[6] Overall, about two-fifths of the charter schools we surveyed received title I funds for the 1996-97 school year. Survey results indicated that slightly more than one-third of charter schools operating under the independent model and almost one-half of the schools operating under the dependent model received title I funds. Table 3 shows the number of charter schools surveyed that received title I funds by funding model.

Table 3: Number of Surveyed Charter Schools That Received or Did Not Receive Title I Funds for the 1996-97 School Year by Funding Model

	Independent	Dependent	Total
Received title I funds	9	7	16
Did not receive title I funds[a]	16	9	25

[a]Operators of 16 of these schools told us they did not apply for title I funds. We could not determine whether they would have received title I funds had they applied.

About two-fifths of the charter schools we surveyed did not apply for title I funds. Charter school officials who did not apply cited reasons such as (1) a lack of time to do so, (2) their school was ineligible for funds and therefore they did not apply, or (3) they found that applying for these funds would cost more than the funding would provide. Of those schools that applied for title I funds, two-thirds, or 16 of 25, reported receiving funds. Title I funding for these schools ranged from $96 to $941 per poverty student; the average amount was $466 per poverty student and the median amount was $413. The difference in per student funding relates to the allocation formulas, which consider the number and proportion of low-income children in the school, district, and county. Title I funds received by these schools represented between 0.5 and 10.0 percent of their total operating budgets.[7] For all but four of these schools, funds received represented 5 percent or less of the schools' total operating budgets.

[6]Although schools dependent on an LEA do not technically apply for federal funds, we use the term to describe the process by which charter schools must provide the necessary data to the LEA so the LEA may apply for funds.

[7]This is for the 14 schools reporting a 1996-97 operating budget and receiving title I funds.

Regarding the IDEA program, slightly more than half of our survey respondents received funds or IDEA-funded services. Of all charter schools surveyed, two-fifths operating under the independent model received funds or IDEA-funded services; three-quarters of those operating under the dependent model received funds or services. Table 4 shows the number of charter schools surveyed that received IDEA funds or IDEA-funded services by funding model.

Table 4: Number of Surveyed Charter Schools That Received or Did Not Receive IDEA Funds or IDEA-Funded Services for the 1996-97 School Year by Funding Model

	Independent	Dependent	Total
Received IDEA funds or funded services	10	12	22
Did not receive IDEA funds or funded services[a]	15	4	19

[a]Operators of 14 of these schools told us they did not apply for IDEA funds or services. We could not determine whether they would have received funds or services had they applied.

Overall, about a third of the charter schools we surveyed did not apply for IDEA funds or services. Charter school officials who did not apply cited reasons similar to those who did not apply for title I funds such as (1) a lack of time to do so, (2) they were not eligible for funds, (3) they did not know about the availability of IDEA funds, or (4) they found that applying for these funds would cost more than the funding would provide. Four-fifths of the charter school officials who told us that they applied for IDEA funds or services reported that they received funds or services for the 1996-97 school year. For schools that obtained IDEA funds, rather than services, amounts received ranged from $30 to $1,208 per eligible student; the average school value was $421 per eligible student, and the median value was $206. IDEA funds received by schools represented between 0.08 percent and 2.50 percent of their total operating budgets.[8]

Most Charter School Operators Believe That Their Share of Title I and IDEA Funds Is Fair

Regardless of funding model, two-thirds of the charter school operators expressing an opinion believe that they received a fair share of title I and IDEA funding. About one-fifth of the charter school operators we surveyed had no opinion or did not answer the question. Regarding title I funds, twice as many survey respondents—under both the independent and dependent funding models—believe that they received a fair share of these funds than believe otherwise. Regarding IDEA funding or IDEA-funded services, however, about as many survey respondents under the independent funding model believe that they received a fair share as

[8]This is for the six schools reporting a 1996-97 operating budget and receiving IDEA funds.

believe otherwise. For charter schools under the dependent model, however, about four times as many survey respondents believe that their schools received a fair share of IDEA funds or services as believe otherwise.

Some Barriers Hinder Charter Schools in Accessing Title I and IDEA Funds

Even though many charter school operators we surveyed believe that they received a fair share of federal funds, they reported, as did state officials and technical assistance providers, that several barriers hindered charter schools' access to title I and IDEA funds. These barriers included (1) difficulties in establishing program eligibility, (2) workload demands that prohibited schools from pursuing program funds or made doing so too costly, and (3) charter school operators' and district and state administrators' lack of program and administrative experience.

One barrier reported by charter school operators was the difficulty in establishing program eligibility primarily due to a lack of a prior year's enrollment data and problems collecting student eligibility data. For example, three charter school officials told us that because they had no prior year's enrollment or student eligibility data, they were not eligible under state guidelines for federal funds. School officials noted that besides this being a problem for new schools, using even 1-year-old enrollment data can significantly understate the number of title I-eligible students enrolled in schools that are incrementally increasing the number of grades they serve. Other school officials reported difficulty in collecting required student eligibility data because some families are reluctant, due to privacy concerns, to return surveys sent home with students asking for the amount of household income.

Competing workload demands were another barrier reported by charter school officials. In our survey, several school officials emphasized that other administrative and educational responsibilities left them little time and resources to devote to accessing title I and IDEA funds. These officials often played many roles at their schools, including principal, office manager, nurse, and janitor. In addition, even though a majority of a charter school operators who noted in our survey that the title I and IDEA application processes were only somewhat or not at all difficult, some operators told us that, nonetheless, it was not worth their while to pursue these funds. One operator, for example, said that application and program compliance costs would exceed the amount of funds his school would be eligible for, while another said that the amount of funds his school could expect to receive was simply not worth his while to apply for them.

Finally, we spoke to technical assistance providers and consultants who told us that charter school operators are often dedicated educators but who lack business and administrative experience in general or experience with federal programs in particular. They told us that such inexperience may likely discourage individuals from pursuing federal funding for their schools. Some operators told us that their lack of experience with the title I and IDEA programs was a barrier to accessing these funds. In addition, charter schools represent new and additional responsibilities for districts and SEAs that administer federal programs. As a result, state and district officials told us that it has taken time to develop new policies and procedures to accommodate charter schools.

Charter school operators reported that outreach and technical assistance were critical to their ability to access federal funds. Charter school officials most often cited receiving information about the availability of federal funds and the amount their schools would be eligible for as factors helping them access title I and IDEA funds. Officials cited a number of sources from which they had obtained such information, including their own states' departments of education and local school district officials. In addition, other operators told us that state and local program officials' flexibility facilitated their access to funds.

State and Federal Efforts to Help Charter Schools Access Federal Funds

Several states and the Department have taken steps to help charter schools access federal funds. Some states, for example, are changing allocation procedures to better accommodate charter schools and providing training and technical assistance to school operators. Among other things, some states are allowing charter schools to use comparable—and more easily obtainable—data to establish the income levels of students' families. Such efforts will allow charter schools to demonstrate eligibility for title I funds without having historical data. In addition, some states have actively sought to inform charter school operators of available funds and provide training to school operators on applying for and administering these funds.

During our study, the Department developed guidance for states and LEAs on allocating title I funds to charter schools. This guidance clarifies that SEAs and LEAs must take all reasonable steps to ensure that charter schools receive their full title I allocation. The guidance strongly encourages SEAs and LEAs to be flexible in accommodating charter schools by, for example, allowing charter schools leeway in collecting and submitting data and

using state administrative and excess title I funds to serve new charter schools.

Under the charter school start-up grant program, the Congress provided that the Department may reserve up to 10 percent of appropriated funds to conduct national activities. Using these funds, the Department has sponsored national meetings for state officials and charter school operators. In November 1997, for example, the Department sponsored a national conference for charter schools in Washington, D.C. The Department invited state officials and charter school operators from across the country and conducted workshops on topics, including federal grant programs, new requirements under IDEA, and developing and implementing charter schools. The Department has also funded the development of an Internet web site[9] with information on federal programs, charter school operational issues, a charter school resource directory as well as profiles of charter school states and charter schools.

Conclusions

Charter schools have used federal start-up funds for a variety of purposes, depending on the schools' particular needs. These needs have most often included school equipment and curriculum materials, technology, and facilities renovation or leasing. Our study suggests that charter schools in the seven states we surveyed have not been systematically denied access to title I and IDEA funds and that the barriers charter schools face in accessing these funds appear to have no relation to charter schools' treatment as school districts or as members of school districts. Rather, other barriers, many of which have no relation to the path federal funds take, have more significantly affected charter schools' ability to access title I and IDEA funds. These other barriers include state systems that base funding allocations on the prior year's enrollment and student eligibility data, the costs of accessing funds compared with the amounts that schools would receive, and time constraints that prevent charter school operators from pursuing funds. Despite these barriers, most charter school operators who expressed an opinion in our survey believe that title I and IDEA funds are fairly allocated to charter schools. Although a variety of factors help charter schools access federal funds, according to our review, training and technical assistance are critical to ensuring that charter school operators have access to these funds. Several states and the Department of Education have initiatives under way to facilitate such access.

[9]The web site address is www.uscharterschools.org.

This concludes my statement, Mr. Chairman. I would be happy to answer any questions you or the members of the Committee may have.

Charter Schools Operating During the 1996-97 School Year in Selected States, Included in Our Sample, and Responding to Our Survey

States	Charter schools	Percentage of total	Cumulative percentage of total[a]	Schools in sample	Schools surveyed	Schools that refused to participate
Arizona	164	34	34	13[b]	10	2
California	109	22	57	15[c]	12	2
Colorado	32	7	64	3	3	0
Massachusetts	22	5	68	7	5	2
Michigan	76	16	84	5	4	1
Minnesota	19	4	88	6	6	0
Texas	16	3	91	1	1	0
All others[d]	42	9	100	[e]	[e]	[e]
Total[f]	**480**	**100**		**50**	**41**	**7**

[a]Cumulative percentages of total may not add due to rounding of percentages.

[b]Although included in our universe of charter schools, one school had its charter revoked before the 1996-97 school year.

[c]Although included in our universe of charter schools, one school did not operate under a charter during the 1996-97 school year.

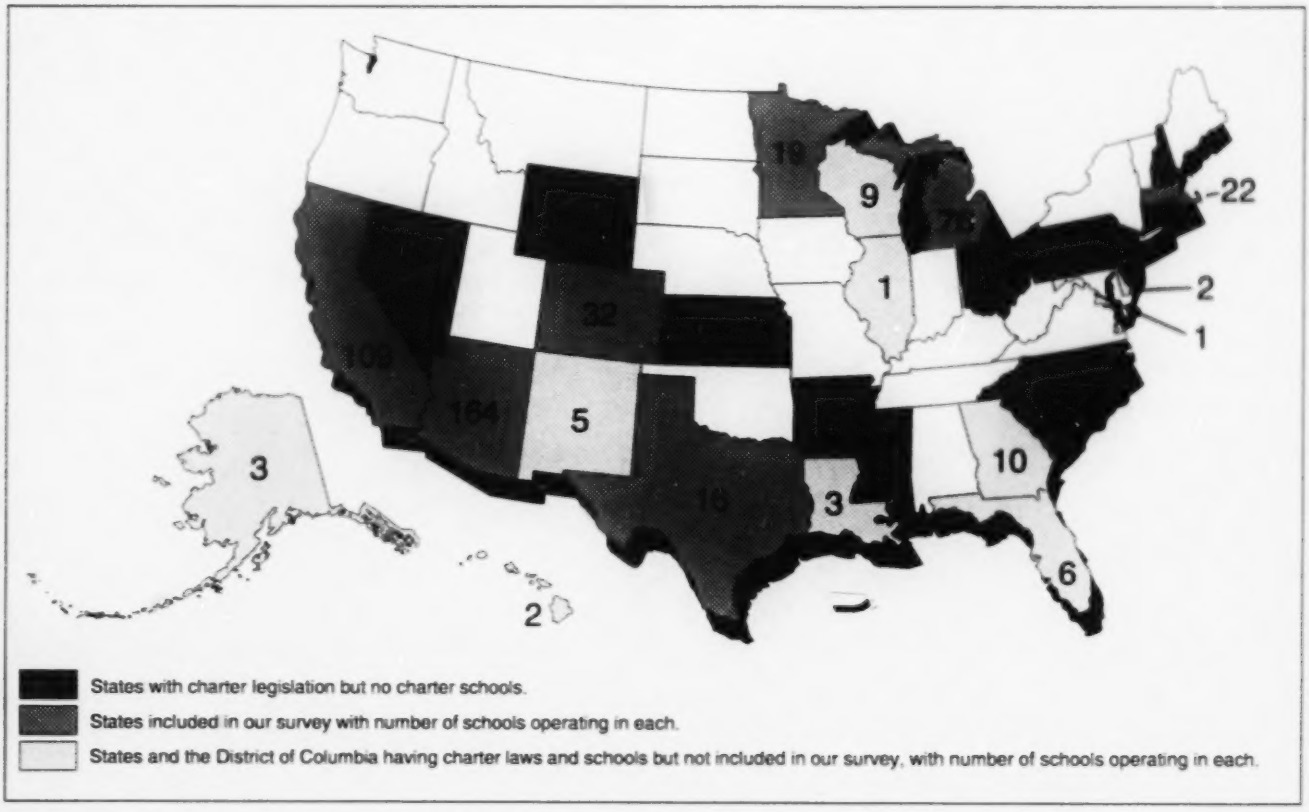
[d]Charter schools were also operating in Alaska, Delaware, the District of Columbia, Florida, Georgia, Hawaii, Illinois, Louisiana, New Mexico, and Wisconsin during the 1996-97 school year.

[e]Not applicable.

[f]Totals do not include alternative schools operating in Oregon during the 1996-97 school year.

Sources: Center for Education Reform, Washington, D.C., and our analysis.

States With Charter Laws as of September 1997 and Number of Schools Operating in School Year 1996-97



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